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RR RUEHDBU RUEHLN RUEHVK RUEHYG
DE RUEHTA #0691/01 0780132
ZNR UUUUU ZZH
R 190132Z MAR 07
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC 8812
INFO RUCPCIM/CIMS NTDB WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCNCIS/CIS COLLECTIVE 0100
RUEHAK/AMEMBASSY ANKARA 2033
RUEHBUL/AMEMBASSY KABUL 0306
RUEHNE/AMEMBASSY NEW DELHI 0435
RUEHAST/USOFFICE ALMATY

UNCLAS SECTION 01 OF 02 ASTANA 000691

SIPDIS

DEPT FOR SCA/CEN (O'MARA)
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KZ](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, February 25 - March 10, 2007

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¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

-- Kazakhstani-Israeli WTO Protocol Signed
-- New Deputy CEO in Nurbank
-- New Independent Director of Kazpost JSC
-- Agricultural Statistics
-- KTG Invests in Georgia; Eyes European Market
-- Kazakhstan to Build Refinery in Georgia
-- KMG Sells KazGerMunay's 50% Share to Its Subsidiary
-- Oil, Gas, Coal Production in Jan-Feb 2007
Kazakhstani-Israeli WTO Protocol Signed

¶2. According to the Government's press service, a bilateral protocol on accession of Kazakhstan to the WTO was signed on February 27 by Israel's Deputy Prime Minister - Minister of Industry, Trade, and Labor Eliyahu Yishai and Kazakhstan's Vice Minister of Industry and Trade Zhanar Aitzhanova. Prior to signing, the two sides discussed access to the Kazakhstani market for Israeli producers of high-tech equipment, chemicals, and processed foods as well as investment policy toward computer service providers. (Press Service of the Government of Kazakhstan, February 28)

New Deputy CEO in Nurbank

¶3. Nurali Aliyev was appointed the First Deputy Chief Executive Officer of Kazakhstan-based commercial Nurbank JSC, the bank's press service reported on February 27. An early January shareholder meeting had elected Aliyev to the Board of Directors. The 22-year-old Nurali is a son of Presidential daughter and Mazhilis deputy Dariga Nazarbayeva and Kazakhstani Ambassador to Austria and former Deputy Minister of Foreign Affairs Rakhat Aliyev. According to the Interfax-1000 Ranking of CIS Banks, Nurbank was as of June 2006 the 60th largest bank in the CIS and the 8th largest in

Kazakhstan by assets. (Interfax - Kazakhstan, February 28)

New Independent Director of Kazpost JSC

¶4. Kalle Tarien, Director for development of postal communication of Finland PostGroup, was appointed an independent director of Kazpost JSC. Kazpost is a state-owned company, which became part of the Samruk State Holding in early 2006. According to Samruk's Deputy Executive Director Ulf Wakurka, "the work of Kalle Tarien will raise corporate management of the Kazakhstani postal service to the world standards." (Interfax - Kazakhstan, March 5)

Agricultural Statistics

¶5. Kazakhstan completed the first nationwide farm census, reports the National Statistics Agency. The agricultural census covered 2,500 districts, 7,500 villages and towns; more than 9,500 agricultural enterprises; about 194,000 farm units; and over 535,700 dachas on a total area of 81.1 million hectares. The following results were reported: more than 5.7 million heads of cattle, 12.9 million heads of sheep, 1.3 million heads of swine, 1.2 million heads of horse, 140,000 heads of camel, and 28.3 million heads of poultry. (Interfax - Kazakhstan, March 5)

¶6. Kazakhstani farm exports for the first time reached \$1.3 billion in 2006. According to Minister of Agriculture Akhmetzhan Yesimov, "grain and flour constitute the largest portion of Kazakhstan's agricultural exports." Kazakhstan is now the world's 7th largest exporter of grain and 3rd largest exporter of flour. In 2006, the country's gross agricultural output amounted to KZT 838 billion (approx. \$6.7 billion), a 7% increase from 2005. (Interfax - Kazakhstan, March 5)

KTG in Georgia; Eyes European Market

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¶7. KazTransGas (KTG), a subsidiary of national oil and gas company KazMunayGas (KMG), has invested \$50 million in the Tbilisi gas-distribution system, according to KTG Director General Serik Sultangaliyev. (KTG bought the Georgian company "Tbilgas" in 2006.)

In total, KTG plans to invest over \$80 million in Tbilisi over the next four years. The company also plans to enter the European UCTE energy market (Union of the Coordination of Transmission of Electricity) through joint energy projects with Bosnia and Herzegovina. According to Sultangaliyev, Kazakhstan is planning to begin selling its natural gas to European countries and Georgia in the near future. "Kazakhstan is currently carrying out work to develop the appropriate infrastructure -- the construction of gas refining enterprises without which it would be impossible to carry out this task," he said. (Interfax - Kazakhstan, March 5)

Kazakhstan to Build Refinery in Georgia

¶8. Kazakhstan is considering building an oil refinery in Georgia's Black Sea port of Batumi, President Nazarbayev announced after a meeting with Georgian President Saakashvili in Astana on March 5. "The Caucasian corridor that provides an outlet to Europe (and) the Mediterranean Sea is becoming important for us," Nazarbayev said. "Georgia is our active partner in that area." KazMunayGas is in a process of buying a controlling stake in the Batumi port, the President added. According to President Saakashvili, the construction of an oil refinery in Batumi, a "huge project worth about \$1 billion" is very important, "not only for Georgia's economy, but for the entire (Caspian) region." (Kazakhstan Newsline, March 11)

KMG Sells KazGerMunay's 50% Share to Its Subsidiary

¶9. On March 5, KazMunayGas subsidiary "KMG Exploration and Production" (KMG E&P), announced an agreement to purchase 50% of

KazGerMunay from its parent company for KZT 133.3 billion (approx. \$1.1 billion). The deal is KMG E&P's first significant step in implementing the growth strategy which was announced during the company's IPO in 2006. The transaction will make KMG E&P the second largest oil producer in Kazakhstan. The deal, which will be financed from the company's own sources, will be voted upon at an April 12 shareholder meeting. KazGerMunay is a joint venture between KMG and PetroKazakhstan. (KMG press-center, Kazakhstan, March 5)

Oil, Gas, Coal Production in Jan-Feb 2007

¶10. In January-February 2007, oil and gas condensate production in Kazakhstan reached 10.8 million tons, 12.4% higher than during the same period in 2006.

¶11. In January-February 2007, gas production in Kazakhstan totaled 4.56 billion cubic meters, 15.7% higher compared to the same period in 2006, including 2.68 billion cubic meters of natural gas, up 25.7% year-on-year.

¶12. In January-February 2007, Kazakhstan produced 15.8 million tons of coal, 4.8% less compared to the same period the previous year. (Interfax - Kazakhstan, March 6)

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